

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Dowagiac Union School District	County Cass
Fiscal Year End June 30, 2006	Opinion Date September 27, 2006	Date Audit Report Submitted to State November 28, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- | YES | NO | Check each applicable box below. (See instructions for further detail.) |
|-------------------------------------|--------------------------|---|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 4. The local unit has adopted a budget for all required funds. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 5. A public hearing on the budget was held in accordance with State statute. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 8. The local unit only holds deposits/investments that comply with statutory requirements. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the <i>Bulletin for Audits of Local Units of Government in Michigan</i> , as revised (see Appendix H of Bulletin). |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 11. The local unit is free of repeated comments from previous years. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 12. The audit opinion is UNQUALIFIED. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP). |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 14. The board or council approves all invoices prior to payment as required by charter or statute. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 15. To our knowledge, bank reconciliations that were reviewed were performed timely. |

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	No comments and recommendations	
Other (Describe)	<input checked="" type="checkbox"/>	Single Audit Reports	
Certified Public Accountant (Firm Name) Norman & Paulsen, P.C.		Telephone Number 269-651-3228	
Street Address 127 W. Chicago Rd.		City Sturgis	State MI
Authorizing CPA Signature 		Printed Name Michael R. Wilson	License Number 1101017570

DOWAGIAC UNION SCHOOL DISTRICT

FINANCIAL REPORT
WITH SUPPLEMENTAL INFORMATION

JUNE 30, 2006

Dowagiac Union School District

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Dowagiac Union School District

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Dowagiac Union Schools, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dowagiac Union Schools, as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Dowagiac Union Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Dowagiac Union Schools as of June 30, 2006, and the respective changes in financial position, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The administration's discussion and analysis and budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Board of Education
Dowagiac Union Schools

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Dowagiac Union Schools basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2006, on our consideration of Dowagiac Union School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Norman J. Paulson, P.C.

September 27, 2006

DOWAGIAC UNION SCHOOL DISTRICT

ADMINISTRATION'S DISCUSSION AND ANALYSIS
YEAR ENDED June 30, 2006

This section of Dowagiac Union Schools' annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2006. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Dowagiac Union Schools financially as a whole. The *District-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds - the General Fund, the 2002 Capital Projects Fund and the Debt Service Fund, with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

District-wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statement

(Required Supplemental Information)

Budgetary Information for the General Fund and Major Special Revenue Funds

Other Supplemental Information

Reporting the School District as a whole - District-wide Financial Statements

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

DOWAGIAC UNION SCHOOL DISTRICT

ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued)
YEAR ENDED June 30, 2006

These two statements report the School District's net assets - the difference between assets and liabilities, as reported in the statement of net assets - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net assets - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, supporting services, community services, athletics, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and federal grants finance most of these activities.

Reporting the School District's Most Significant Funds - Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes or to show that it's meeting legal responsibilities for using certain taxes, grants, and other money. The governmental funds of the School District use the following accounting approach:

Governmental funds - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

DOWAGIAC UNION SCHOOL DISTRICT

ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued)
YEAR ENDED June 30, 2006

The School District as Trustee - Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The School District as a Whole

Recall that the statement of net assets provides the perspective of the School District as a whole. Table I provides a summary of the School District's net assets as of June 30, 2006 and 2005:

TABLE I	June 30,	
	<u>2006</u>	<u>2005</u>
Assets		
Current and other assets	\$ 6,315,905	\$ 10,846,702
Capital assets - Net of accumulated depreciation	<u>27,759,004</u>	<u>24,577,104</u>
Total assets	34,074,909	35,423,806
Liabilities		
Current liabilities	3,393,551	3,995,445
Long-term liabilities	<u>21,690,123</u>	<u>22,533,239</u>
Total liabilities	25,083,674	26,528,684
Net Assets		
Invested in property and equipment - net of related debt	5,527,915	4,338,849
Restricted for debt service	434,836	622,256
Unrestricted	<u>3,028,484</u>	<u>3,934,017</u>
Total net assets	<u>\$ 8,991,235</u>	<u>\$ 8,895,122</u>

DOWAGIAC UNION SCHOOL DISTRICT

ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued)
YEAR ENDED June 30, 2006

The above analysis focuses on the net assets (see Table I). The change in net assets (see Table 2) of the School District's governmental activities is discussed below. The School District's net assets were \$8,991,235 at June 30, 2006. Capital assets, net of related debt totaling \$5,527,915 compares the original cost, less depreciation of the School District's capital assets to long-term debt. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets \$3,028,484 was unrestricted.

The \$3,028,484 in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the statement of activities (see Table 2), which shows the changes in net assets for fiscal years ended June 30, 2006 and 2005.

TABLE 2

	Year Ended June 30,	
	<u>2006</u>	<u>2005</u>
Revenue		
Program revenue:		
Charges for services	\$ 387,363	\$ 383,350
Grants and catagoricals	3,743,739	3,820,463
General revenue:		
Property taxes	5,598,566	5,207,828
State foundation allowance	14,231,581	13,671,499
Other	<u>206,041</u>	<u>190,536</u>
Total revenue	24,167,290	23,273,676

DOWAGIAC UNION SCHOOL DISTRICT

ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued)
YEAR ENDED June 30, 2006

Function/Program Expenses	Year Ended June 30,	
	2006	2005
Instruction	13,313,208	13,041,045
Support services	7,530,466	7,726,921
Community services	3,622	5,720
Food services	833,603	757,823
Athletics	414,940	407,642
Interest on long-term debt	1,076,270	1,138,271
Depreciation (unallocated)	899,068	213,126
Total expenses	<u>24,071,177</u>	<u>23,290,548</u>
Increase in net assets	<u>\$ 96,113</u>	<u>\$ (16,872)</u>

As reported in the statement of activities, the cost of all governmental activities this year was \$24,071,177. Certain activities were partially funded from those who benefited from the programs \$(387,363) or by other governments and organizations that subsidized certain programs with grants and categoricals \$(3,743,739). We paid for the remaining "public benefit" portion of our governmental activities with \$5,598,566 in taxes, \$14,231,581 in State foundation Allowance, and with our other revenues, such as interest and general entitlements.

The School District experienced an increase in net assets of \$96,113. Key reasons for the change in net assets were capitalizable expenditures and the repayment of bond principal and other long-term obligations. The decrease in net assets differs from the change in fund balance and a reconciliation appears on page 16.

As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of School District operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted sources.

The School District's Funds

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

DOWAGIAC UNION SCHOOL DISTRICT

ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued)
YEAR ENDED June 30, 2006

As the School District completed this year, the governmental funds reported a combined fund balance of \$3,640,840, which is a decrease of \$3,858,267 from last year. In the General Fund, our principal operating fund, the fund balance decreased \$902,873 to \$3,031,144. The General Fund fund balance has been reserved for inventories - \$102,050; designated for encumbrances - \$341,381; designated for working capital - \$2,200,000; designated for future projects - \$387,713; and undesignated - \$-0-. In the Capital Projects Fund the fund balance decreased \$2,754,984 to \$-0-. The purpose of this fund was to spend the fund balance down to zero and complete the voter approved new middle school project.

Our Food Service Fund and Athletics Fund are maintained at a zero fund balance.

Our Debt Service Fund reflected a fund balance decrease of \$200,410 and the fund balance ended the year at \$609,696. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Debt Service Fund fund balance is reserved since it can only be used to pay debt service obligations.

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Changes to the General Fund original budget were as follows:

Budgeted revenues were increased \$644,062 to better reflect adjustments to state per student foundation funding, adjustments to categorical funding and various grant programs. Actual revenues were within \$99,679 (0.5 percent) of the final budgeted revenues.

Budgeted expenditures were increased \$880,966 due to increases in programs funded under categorical and expenditure driven grants and to reflect the installment purchase of school buses. Actual expenditures ended the year under the final budget by \$105,893 (0.5 percent).

DOWAGIAC UNION SCHOOL DISTRICT

ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued)
YEAR ENDED June 30, 2006

Capital Asset and Debt Administration

Capital Assets

At June 30, 2006, the School District had \$36,110,557 invested in a broad range of capital assets, including land, buildings, furniture and equipment, and construction in progress. This amount represents a net increase (including additions and disposals) of \$3,402,462, or 10 percent, from last year. The majority of this increase were construction in progress - \$2,796,185, funded out of the 2002 Capital Projects Fund which is for the new middle school construction and the purchase of school buses for \$246,524 of which \$194,024 was funded by installment loan proceeds.

	<u>2006</u>	<u>2005</u>
Land	\$ 910,304	\$ 961,237
Buildings and improvements	31,573,983	8,626,494
Buses and other vehicles	1,433,587	1,200,613
Furniture and equipment	2,192,683	987,426
Construction in progress	<u>-</u>	<u>20,932,325</u>
 Total capital assets	 36,110,557	 32,708,095
 Less accumulated depreciation	 <u>8,351,553</u>	 <u>8,130,991</u>
 Net capital assets	 <u><u>\$ 27,759,004</u></u>	 <u><u>\$ 24,577,104</u></u>

Debt

At the end of this year, the School District had \$22,037,065 in bonds outstanding versus \$22,993,239 in the previous year - a change of 4.1 percent. Those bonds consisted of the following:

	<u>2006</u>	<u>2005</u>
General Obligation Bonds	<u><u>\$ 22,037,065</u></u>	<u><u>\$ 22,993,239</u></u>

The School District's General Obligation Bond rating continues to be equivalent to the State's credit rating. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt is significantly below the statutorily imposed limit.

DOWAGIAC UNION SCHOOL DISTRICT

ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued)
YEAR ENDED June 30, 2006

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

The financial status of the State of Michigan may result in future Executive Order Cuts from the Governor.

Increases in the employer contribution to the Michigan Public School Employees Retirement System, as well as increased premiums for health insurance will significantly affect the District's finances.

Increases in other operational costs.

Contacting the School District's Financial Management

This financial report is designed to provide the School District's citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact Hal Davis, Assistant Superintendent of Business & Operations, phone (269) 782-4400, 206 Main Street, Dowagiac, Michigan 49047.

DOWAGIAC UNION SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2006

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Current Assets:	
Cash and cash equivalents	\$ 2,844,335
Accounts receivable	55,090
Taxes receivable (net)	-
Due from other governmental units	3,303,833
Inventories	<u>112,647</u>
Total current assets	6,315,905
Noncurrent Assets:	
Capital assets	36,110,557
Less: accumulated depreciation	<u>8,351,553</u>
Total noncurrent assets	<u>27,759,004</u>
Total assets	34,074,909
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts payable	457,458
Accrued payroll	1,099,291
Accrued benefits	638,155
Other liabilities	153,486
Accrued interest	177,520
Deferred revenue	326,675
Notes payable, due within one year	64,675
Bonds payable, due within one year	<u>476,291</u>
Total current liabilities	3,393,551
Noncurrent Liabilities:	
Notes payable	129,349
Bonds payable	<u>21,560,774</u>
Total noncurrent liabilities	<u>21,690,123</u>
Total liabilities	25,083,674
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	5,527,915
Restricted for debt service	434,836
Unrestricted	<u>3,028,484</u>
Total net assets	<u><u>\$ 8,991,235</u></u>

See Notes to Financial Statements

DOWAGIAC UNION SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
YEAR ENDED June 30, 2006

		<u>Program Revenues</u>		<u>Governmental Activities</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants/ Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
Functions/Programs				
Governmental activities:				
Instruction	\$ 13,313,208	\$ 10,513	\$ 2,925,487	\$ (10,377,208)
Support services	7,530,466	52,307	203,376	(7,274,783)
Food services	833,603	260,908	569,487	(3,208)
Athletics	414,940	63,635	-	(351,305)
Community services	3,622	-	-	(3,622)
Interest on long- term debt 1,076,270	-	45,389	(1,030,881)	
Depreciation (unallocated)	<u>899,068</u>	<u>-</u>	<u>-</u>	<u>(899,068)</u>
Total Governmental activities	<u>\$ 24,071,177</u>	<u>\$ 387,363</u>	<u>\$ 3,743,739</u>	(19,940,075)
General revenues:				
Taxes				
Property taxes, levied for general operations				3,924,349
Property taxes, levied for debt service				1,674,217
State aid not restricted to specific purposes				14,231,581
Interest and investment earnings				132,392
Other				<u>73,649</u>
Total general revenues				<u>20,036,188</u>
Change in Net Assets				96,113
Net Assets - Beginning of year				<u>8,895,122</u>
Net Assets - End of year				<u>\$ 8,991,235</u>

See Notes to Financial Statements

DOWAGIAC UNION SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2006

	<u>General</u>	<u>2002 Capital Projects</u>	<u>Debt Service</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 2,064,956	\$ 15,795	\$ 609,696
Accounts receivable	49,135	5,955	-
Due from other governmental units	3,303,833	-	-
Due from other funds	145,869	-	-
Inventories	<u>102,050</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 5,665,843</u>	<u>\$ 21,750</u>	<u>\$ 609,696</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 424,851	\$ 21,750	\$ -
Accrued payroll	1,099,291	-	-
Accrued benefits	638,155	-	-
Other liabilities	153,486	-	-
Due to other funds	-	-	-
Deferred revenue	<u>318,916</u>	<u>-</u>	<u>-</u>
Total liabilities	2,634,699	21,750	-
Fund Balances:			
Reserved:			
Inventories	102,050	-	-
Debt service	-	-	609,696
Capital projects	-	-	-
Unreserved:			
Designated for encumbrances	341,381	-	-
Designated for working capital	2,200,000	-	-
Designated for future projects	387,713	-	-
Undesignated	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>3,031,144</u>	<u>-</u>	<u>609,696</u>
Total liabilities and fund balances	<u>\$ 5,665,843</u>	<u>\$ 21,750</u>	<u>\$ 609,696</u>

See Notes to Financial Statements

Other Nonmajor Governmental Funds	Total
\$ 153,888	\$ 2,844,335
-	55,090
-	3,303,833
-	145,869
<u>10,597</u>	<u>112,647</u>
<u>\$ 164,485</u>	<u>\$ 6,461,774</u>

\$ 10,857	\$ 457,458
-	1,099,291
-	638,155
-	153,486
145,869	145,869
<u>7,759</u>	<u>326,675</u>
164,485	2,820,934

-	102,050
-	609,696
-	-
-	341,381
-	2,200,000
-	387,713
<u>-</u>	<u>-</u>
<u>-</u>	<u>3,640,840</u>
<u>\$ 164,485</u>	<u>\$ 6,461,774</u>

DOWAGIAC UNION SCHOOL DISTRICT

GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2006

Total Fund Balances - Governmental Funds \$ 3,640,840

Amounts reported for governmental activities in the
statement of net assets are different because:

Capital assets used in governmental activities are not
financial resources and are not reported in the funds.

The cost of the capital assets is 36,110,557

Accumulated depreciation is (8,351,553)

Total 27,759,004

Long-term liabilities are not due and payable in the
current period and are not reported in the funds:

Notes payable (194,024)

Bonds payable (22,037,065)

Accrued interest payable on long-term liabilities is not
included as a liability in governmental activities (177,520)

Net assets of governmental activities \$ 8,991,235

See Notes to Financial Statements

DOWAGIAC UNION SCHOOL DISTRICT

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED June 30, 2006

	<u>General</u>	<u>2002 Capital Projects</u>	<u>Debt Service</u>
Revenues:			
Local sources	\$ 4,130,780	\$ 41,201	\$ 1,695,446
State sources	15,782,667	-	146,918
Federal sources	<u>1,476,248</u>	<u>-</u>	<u>-</u>
Total revenues	21,389,695	41,201	1,842,364
Expenditures:			
Instruction	13,313,208	-	-
Supporting services	8,768,782	-	-
Community services	3,622	-	-
Food service	-	-	-
Athletics	-	-	-
Capital outlay	-	2,796,185	-
Debt service	-	-	2,043,380
Interdistrict	<u>46,467</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>22,132,079</u>	<u>2,796,185</u>	<u>2,043,380</u>
Excess (deficiency) of revenues over expenditures	(742,384)	(2,754,984)	(201,016)
Other financing sources (uses):			
Installment loan proceeds	194,024	-	-
Refunding bonds issued	-	-	10,000,000
Payments to escrow agent	-	-	(9,999,394)
Operating transfers in	-	-	-
Operating transfers out	<u>(354,513)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(160,489)</u>	<u>-</u>	<u>606</u>
Net change in fund balances	(902,873)	(2,754,984)	(200,410)
Fund balances, July 1	<u>3,934,017</u>	<u>2,754,984</u>	<u>810,106</u>
Fund balances, June 30	<u><u>\$ 3,031,144</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 609,696</u></u>

See Notes to Financial Statements

Other Nonmajor Governmental Funds	Total
\$ 324,543	\$ 6,191,970
34,851	15,964,436
<u>534,636</u>	<u>2,010,884</u>
894,030	24,167,290
-	13,313,208
-	8,768,782
-	3,622
833,603	833,603
414,940	414,940
-	2,796,185
-	2,043,380
<u>-</u>	<u>46,467</u>
<u>1,248,543</u>	<u>28,220,187</u>
(354,513)	(4,052,897)
-	194,024
-	10,000,000
-	(9,999,394)
354,513	354,513
<u>-</u>	<u>(354,513)</u>
<u>354,513</u>	<u>194,630</u>
-	(3,858,267)
<u>-</u>	<u>7,499,107</u>
<u>\$ -</u>	<u>\$ 3,640,840</u>

DOWAGIAC UNION SCHOOL DISTRICT
FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2006

	Student Activities <u>Agency Fund</u>
<u>ASSETS</u>	
Cash and cash equivalents	<u>\$ 200,263</u>
<u>LIABILITIES</u>	
Due to student groups	<u>\$ 200,263</u>

See Notes to Financial Statements

DOWAGIAC UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Dowagiac Union School District conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School Districts' reporting entity, and which organizations are legally separate, component units of the school district. Based on the application of the criteria, the district does not contain any component units.

District-Wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the district's government wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

DOWAGIAC UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

District-Wide Statements - The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include (1) charges to customer or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State aid.

Fund-based Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted State aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The school district reports the following major governmental funds:

The General Fund is the school district's primary operating fund. It accounts for all financial resources of the district, except those required to be accounted for in another fund.

DOWAGIAC UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The 2002 Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of funds specifically designated for acquiring new school sites, buildings, equipment and for major remodeling and repairs. The fund is retained until the purpose for which the fund was created has been accomplished.

The Debt Service Fund is used to record tax, interest, other revenue for payment, principle and other expenditures on the bond debt obligations.

Additionally, the government reports the following fund types:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

The School Service Funds are Special Revenue Funds that segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The School District maintains full control of these funds. The School Service Funds maintained by the School District are the Athletic Fund and Food Services Fund.

Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. Fiduciary Fund net assets and results of operations are not included in the government-wide statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The School District presently maintains a Student Activities Fund to record the transactions of student and parent groups for school and school-related purposes. The funds are segregated and held in trust for the students and parents.

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

DOWAGIAC UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property tax and other trade receivables are shown net of an allowance for uncollectible amounts. Property taxes are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. Taxes are considered delinquent on March 1 of the following year. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls.

The State of Michigan utilized a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the state's School Aid Fund and is recognized as revenue in accordance with state law and accounting principles generally accepted in the United States of America.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets - Capital assets, which include land, buildings, equipment, and vehicles are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The school district does not have infrastructure type assets.

DOWAGIAC UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-10 years

Long-Term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data/Reclassifications - Comparative data is not included in the district's financial statements.

DOWAGIAC UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the district to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits districts to amend its budgets during the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year.

Excess of Expenditures Over Appropriations in Budgeted Funds - The School district did not have significant expenditure budget variances.

Capital Projects Fund Compliance - The Capital Projects Funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the School District has complied with the applicable provisions of 1351a of the State of Michigan's School Code.

DOWAGIAC UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 3 - CASH AND CASH EQUIVALENTS

Investments and Depositories are restricted to those complying with MCL 380.622, 380.1221 and 380.1223. These include:

- * United States Government Securities.
- * United States Government Agencies.
- * Federal Instrumentalities (United States Government-Sponsored Enterprises).
- * Certificates of Deposit.
- * Repurchase Agreements.
- * Commercial Paper.
- * Bankers' Acceptances.
- * Registered Investment Companies (Money Market Mutual Funds).
- * Investment pools, as authorized by the surplus funds investment pool act, 1982 PA 367, MCL 129.111 to 129.118, composed entirely of instruments that are legal for direct investment by an intermediate school district.

The School District's cash and cash equivalents at June 30, 2006, are composed of the following:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Deposits	<u>\$ 2,844,335</u>	<u>\$ 200,263</u>	<u>\$ 3,044,598</u>

Deposits consist of checking, savings, and bank municipal investment funds. The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared, or of deposits in transit) at \$3,833,820. Of that amount, \$445,886 was covered by federal depository insurance coverage or secured and \$2,264,663 was uninsured and uncollateralized. The balance of \$1,123,271 was invested in bank municipal investment funds which are not categorized by risk.

The School District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. The School District evaluates each financial institution it deposits School District funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

DOWAGIAC UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 4 - DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue include unearned grant and categorical aid payments received prior to meeting all eligibility requirements in the amount of \$326,675.

NOTE 5 - CAPITAL ASSETS

Capital asset activity of the School District's governmental activities was as follows:

	Balance <u>July 1, 2005</u>	<u>Additions</u>	Disposals and <u>Adjustments</u>	Balance <u>June 30, 2006</u>
Assets not being depreciated - Land	\$ 961,237	\$ -	\$ 50,933	\$ 910,304
Capital assets being depreciated:				
Buildings and building improvements	8,626,494	23,541,705	594,216	31,573,983
Buses and other vehicles	1,200,613	246,524	13,550	1,433,587
Furniture and equipment	987,426	1,275,997	70,740	2,192,683
Construction in progress	<u>20,932,325</u>	<u>2,796,185</u>	<u>23,728,510</u>	<u>-</u>
Subtotal	31,746,858	27,860,411	24,407,016	35,200,253
Accumulated depreciation:				
Buildings and building improvements	6,433,646	609,353	594,216	6,448,783
Buses and other vehicles	985,932	75,356	13,550	1,047,738
Furniture and equipment	<u>711,413</u>	<u>214,359</u>	<u>70,740</u>	<u>855,032</u>
Subtotal	<u>8,130,991</u>	<u>899,068</u>	<u>678,506</u>	<u>8,351,553</u>
Net capital assets being depreciated	<u>23,615,867</u>			<u>26,848,700</u>
Net capital assets	<u>\$ 24,577,104</u>			<u>\$ 27,759,004</u>

Depreciation expense was not charged to activities as the School District considers its assets to impact multiple activities and allocation is not practical.

DOWAGIAC UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due To/From Other Funds:		
General Fund	Other governmental funds	<u>\$ 145,869</u>
Interfund Transfers:		
	Transfer Out:	
	General Fund	
Transfer in:		
Other governmental funds		<u>\$ 354,513</u>

NOTE 7 - LONG-TERM DEBT

The school district issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the school district.

Long-term obligation activity can be summarized as follows:

Governmental Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Notes	\$ -	\$ 194,024	\$ -	\$ 194,024	<u>\$ 64,675</u>
Bonds	22,993,239	10,000,000	10,301,529	22,691,710	<u>\$ 502,476</u>
Deposits with escrow agent	<u>-</u>	<u>-</u>	<u>654,645</u>	<u>(654,645)</u>	<u>\$ (26,185)</u>
Totals	<u>\$22,993,239</u>	<u>\$10,194,024</u>	<u>\$10,956,174</u>	<u>\$22,231,089</u>	

DOWAGIAC UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 7 - LONG-TERM DEBT - (Continued)

The annual requirement to service the bonds and notes outstanding to maturity, including both principal and interest, are as follows:

Year ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 540,966	\$ 1,064,204	\$ 1,605,170
2008	587,042	1,043,398	1,630,440
2009	608,164	1,017,922	1,626,086
2010	569,662	990,304	1,559,966
2011	590,893	966,405	1,557,298
Thereafter	<u>19,334,362</u>	<u>10,862,003</u>	<u>30,196,365</u>
	<u>\$22,231,089</u>	<u>\$15,944,236</u>	<u>\$38,175,325</u>

Governmental Activities:

General obligation bonds consist of:

\$443,346 1998 School Improvement Bond (Durant Settlement) payable in annual installments of \$45,444 to \$19,549 through May 15, 2013; payments are to be made directly by the State of Michigan	\$ 181,710
\$13,115,000 2002 School Building and Site Bonds, payable in annual installments of \$480,000 to \$1,080,000 through May 1, 2024; interest from 4.00% to 5.50%	12,655,000
\$10,000,000 2005 Refunding Bonds, payable in annual installments of \$35,000 to \$1,475,000 through May 1, 2031; interest from 3.25% to 4.375%	<u>9,855,000</u>
Total bonds payable	<u><u>\$22,691,710</u></u>

Notes payable consist of:

Notes payable to bank, annual payments of \$64,675 through January 22, 2009, plus interest at 4.52%, secured by school buses	<u><u>\$ 194,024</u></u>
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DOWAGIAC UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 8 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for property loss, torts, errors and omissions, and medical claims for certain employee groups. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 9 - DEFINED BENEFIT PENSION PLAN AND POST RETIREMENT BENEFITS

Plan Description - The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the District. The system provides retirement, survivor and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 7150 Harris Drive, P.O. Box 30673, Lansing, MI 48909-8103.

Funding Policy - Employer contributions to the system result from the implementing effect of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis.

The pension benefit rate totals 14.87 percent for the period July 1, 2005 through September 30, 2005 and 16.34 percent for the period October 1, 2005 through June 30, 2006 of the covered payroll to the plan. Basic plan members make no contributions, but Member Investment Plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. The District's contributions to the MPERS plan for the years ended June 30, 2006, 2005, and 2004 were \$2,059,290, \$1,802,407, and \$1,628,070.

Post Employment Benefits - Under the MPERS Act, all retirees participating in the MPERS Pension Plan have the option of continuing health, dental, and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverages. Required contributions for post employment health care benefits are included as part of the District's total contribution to the MPERS plan discussed above.

REQUIRED SUPPLEMENTAL INFORMATION

DOWAGIAC UNION SCHOOL DISTRICT

REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED June 30, 2006

	Original Budget	Final Budget	Actual	Over (under) Final Budget
Revenues:				
Local sources	\$ 3,805,570	\$ 4,087,053	\$ 4,130,780	\$ 43,727
State sources	15,657,701	15,647,426	15,782,667	135,241
Federal sources	<u>1,182,683</u>	<u>1,555,537</u>	<u>1,476,248</u>	<u>(79,289)</u>
Total revenue	20,645,954	21,290,016	21,389,695	99,679
Expenditures:				
Instruction:				
Basic programs	10,401,122	10,680,495	10,638,169	(42,326)
Added needs	2,604,306	2,772,635	2,643,622	(129,013)
Adult/community education	24,310	24,310	31,417	7,107
Support services:				
Pupil	1,159,699	1,106,365	1,090,918	(15,447)
Instructional staff	1,536,113	1,483,314	1,551,530	68,216
General administration	340,525	355,909	366,866	10,957
School administration	1,381,415	1,333,427	1,417,171	83,744
Business services	765,935	669,097	643,587	(25,510)
Operations and maintenance	2,041,843	2,372,427	2,332,831	(39,596)
Transportation	866,978	1,178,831	1,164,420	(14,411)
Central services	142,460	133,522	126,969	(6,553)
Facilities acquisition	-	74,490	74,490	-
Community services	2,800	3,750	3,622	(128)
Interdistrict	<u>89,500</u>	<u>49,400</u>	<u>46,467</u>	<u>(2,933)</u>
Total expenditures	<u>21,357,006</u>	<u>22,237,972</u>	<u>22,132,079</u>	<u>(105,893)</u>
Excess (deficiency) of revenues over expenditures	(711,052)	(947,956)	(742,384)	205,572
Other financing sources (uses):				
Installment proceeds	-	194,024	194,024	-
Operating transfers out	<u>(364,670)</u>	<u>(371,872)</u>	<u>(354,513)</u>	<u>(17,359)</u>
Total other financing sources (uses)	<u>(364,670)</u>	<u>(177,848)</u>	<u>(160,489)</u>	<u>(17,359)</u>
Net change in fund balance	(1,075,722)	(1,125,804)	(902,873)	222,931
Fund balance, July 1	<u>3,934,017</u>	<u>3,934,017</u>	<u>3,934,017</u>	<u>-</u>
Fund balance, June 30	<u>\$ 2,858,295</u>	<u>\$ 2,808,213</u>	<u>\$ 3,031,144</u>	<u>\$ 222,931</u>

OTHER SUPPLEMENTAL INFORMATION

DOWAGIAC UNION SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

GENERAL FUND
STATEMENT OF REVENUES
YEAR ENDED June 30, 2006

REVENUES

Revenues from local sources:

Current tax levy	\$ 3,924,349
Transportation charges	40,406
Rental income	11,901
Interest on investments	69,962
Insurance reimbursements	51,754
Other revenues from local sources	<u>32,408</u>

Total revenues from local sources 4,130,780

Revenues from state sources:

Foundation	14,130,052
At Risk	729,452
Early Childhood Program	241,227
Bilingual Education	13,839
Special Education	550,186
Vocational Education	48,715
Adult Education	24,861
Durant Settlement	<u>44,335</u>

Total revenues from state sources 15,782,667

Revenues from federal sources:

Title I	701,265
Migrant Education - regular	158,899
Migrant Education - summer	167,703
Title IIA Improving Teacher Quality	179,595
Title V LEA Allocation	20,835
Technology Literacy	20,629
Safe Schools/Healthy Students Grant	49,878
Drug-free Grant	19,673
Title III English Language	24,260
Handicapped Pre-school	4,130
Homeland Security Grant	9,794
Other	9,601
Medicaid	<u>109,986</u>

Total revenues from federal sources 1,476,248

Total revenues \$ 21,389,695

DOWAGIAC UNION SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

GENERAL FUND
STATEMENT OF OPERATING EXPENDITURES
YEAR ENDED June 30, 2006

INSTRUCTION

Basic programs:

Elementary:

Salaries	\$ 2,779,221
Benefits	1,264,106
Purchased services	3,967
Supplies, materials and other	<u>126,088</u>

Total elementary	4,173,382
------------------	-----------

Middle school:

Salaries	2,200,057
Benefits	1,006,105
Purchased services	3,657
Supplies, materials and other	<u>147,002</u>

Total middle school	3,356,821
---------------------	-----------

High School:

Salaries	1,815,500
Benefits	811,397
Purchased services	37,989
Supplies, materials and other	<u>217,168</u>

Total high school	2,882,054
-------------------	-----------

Pre-School:

Salaries	146,571
Benefits	59,326
Purchased services	281
Supplies, materials and other	<u>4,487</u>

Total pre-school	210,665
------------------	---------

Summer School:

Salaries	12,464
Benefits	2,783
Purchased services	-
Supplies, materials and other	<u>-</u>

Total summer school	<u>15,247</u>
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Total basic programs	10,638,169
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DOWAGIAC UNION SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

GENERAL FUND
STATEMENT OF OPERATING EXPENDITURES
YEAR ENDED June 30, 2006

INSTRUCTION - Continued

Added needs:

Special education:

Salaries	954,378
Benefits	428,254
Purchased services	762
Supplies, materials and other	<u>17,774</u>

Total special education 1,401,168

Compensatory education:

Salaries	502,772
Benefits	172,063
Purchased services	1,233
Supplies, materials and other	<u>82,000</u>

Total compensatory education 758,068

Vocational education:

Salaries	297,219
Benefits	131,684
Purchased services	2,798
Supplies, materials and other	49,353
Capital outlay	<u>3,332</u>

Total vocational education 484,386

Total added needs 2,643,622

Adult secondary education:

Salaries	21,134
Benefits	4,508
Purchased services	1,744
Supplies, materials and other	<u>4,031</u>

Total adult education 31,417

Total instruction 13,313,208

DOWAGIAC UNION SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

GENERAL FUND
STATEMENT OF OPERATING EXPENDITURES
YEAR ENDED June 30, 2006

SUPPORTING SERVICES

Pupil services:

Attendance:

Salaries	87,033
Benefits	48,340
Purchased services	981
Supplies, materials and other	<u>-</u>

Total attendance 136,354

Guidance:

Salaries	376,655
Benefits	179,719
Purchased services	13,892
Supplies, materials and other	<u>5,711</u>

Total guidance 575,977

Health:

Salaries	37,212
Benefits	23,421
Purchased services	1,902
Supplies, materials and other	<u>1,904</u>

Total health 64,439

Speech pathology:

Salaries	143,510
Benefits	70,646
Purchased services	4,139
Supplies, materials and other	<u>2,379</u>

Total speech pathology 220,674

Other:

Salaries	67,763
Benefits	17,622
Purchased services	6,878
Supplies, materials, and other	<u>1,211</u>

Total other 93,474

Total pupil services 1,090,918

DOWAGIAC UNION SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

GENERAL FUND
STATEMENT OF OPERATING EXPENDITURES
YEAR ENDED June 30, 2006

SUPPORTING SERVICES - Continued

Instructional staff:

Staff improvement:

Salaries	34,881
Benefits	8,328
Purchased services	54,410
Supplies, materials and other	<u>56,871</u>

Total staff improvement	154,490
-------------------------	---------

Library:

Salaries	220,460
Benefits	148,405
Purchased services	1,007
Supplies, materials and other	<u>34,228</u>

Total library	404,100
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Supervision:

Salaries	365,108
Benefits	174,329
Purchased services	3,734
Supplies, materials and other	<u>1,564</u>

Total supervision	544,735
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Staff other:

Salaries	283,542
Benefits	152,141
Purchased services	4,268
Supplies, materials and other	<u>8,254</u>

Total staff other	<u>448,205</u>
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Total instructional staff	1,551,530
---------------------------	-----------

General administration:

Board of education:

Salaries	2,640
Benefits	633
Purchased services	43,129
Supplies, materials and other	<u>31,791</u>

Total board of education	78,193
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DOWAGIAC UNION SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

GENERAL FUND
STATEMENT OF OPERATING EXPENDITURES
YEAR ENDED June 30, 2006

SUPPORTIVE SERVICES - Continued

Executive administration:

Salaries	185,967
Benefits	58,689
Purchased services	27,007
Supplies, materials and other	<u>17,010</u>

Total executive administration	<u>288,673</u>
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Total general administration	366,866
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School administration:

Principals:

Salaries	885,585
Benefits	462,521
Purchased services	30,317
Supplies, materials and other	30,252
Capital outlay	<u>8,496</u>

Total principals	1,417,171
------------------	-----------

Business services:

Fiscal services:

Salaries	227,292
Benefits	110,538
Purchased services	10,003
Supplies, materials and other	<u>6,596</u>

Total fiscal services	354,429
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Other:

Salaries	85,517
Benefits	49,348
Purchased services	75,422
Supplies, materials and other	<u>78,871</u>

Total other	<u>289,158</u>
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Total business services	643,587
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DOWAGIAC UNION SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

GENERAL FUND
STATEMENT OF OPERATING EXPENDITURES
YEAR ENDED June 30, 2006

SUPPORTIVE SERVICES - Continued

Operation of plant:

Salaries	524,298
Benefits	341,232
Purchased services	646,885
Supplies, materials and other	715,431
Capital outlay	<u>104,985</u>

Total operation of plant 2,332,831

Pupil transportation:

Salaries	405,066
Benefits	270,853
Purchased services	92,594
Supplies, materials and other	146,618
Capital outlay	<u>249,289</u>

Total pupil transportation 1,164,420

Central services:

Salaries	40,475
Benefits	9,583
Purchased services	74,840
Supplies, materials and other	<u>2,071</u>

Total central services 126,969

Facilities acquisition

Capital outlay	<u>74,490</u>
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Total support service expenditures 8,768,782

COMMUNITY SERVICES

Purchased services	353
Supplies, materials and other	<u>3,269</u>

Total community services 3,622

OTHER DISTRICTS

Tuition	<u>46,467</u>
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Total operating expenditures \$ 22,132,079

DOWAGIAC UNION SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2006

	<u>Special Revenue Funds</u>		
	<u>Food Services</u>	<u>Athletics</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 145,619	\$ 8,269	\$ 153,888
Accounts receivable	-	-	-
Due from other governmental units	-	-	-
Due from other funds	-	-	-
Inventory	<u>10,597</u>	<u>-</u>	<u>10,597</u>
Total assets	<u>\$ 156,216</u>	<u>\$ 8,269</u>	<u>\$ 164,485</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 3,645	\$ 7,212	\$ 10,857
Accrued payroll	-	-	-
Accrued benefits	-	-	-
Due to other funds	144,812	1,057	145,869
Deferred revenue	<u>7,759</u>	<u>-</u>	<u>7,759</u>
Total liabilities	156,216	8,269	164,485
Fund balances:			
Unreserved:			
Undesignated	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 156,216</u>	<u>\$ 8,269</u>	<u>\$ 164,485</u>

DOWAGIAC UNION SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUND
YEAR ENDED June 30, 2006

	<u>Special Revenue Funds</u>		
	<u>Food Services</u>	<u>Athletics</u>	<u>Total</u>
Revenues:			
Local sources	\$ 260,908	\$ 63,635	\$ 324,543
State sources	34,851	-	34,851
Federal sources	<u>534,636</u>	<u>-</u>	<u>534,636</u>
Total revenues	830,395	63,635	894,030
Expenditures:			
Food services	833,603	-	833,603
Athletics	<u>-</u>	<u>414,940</u>	<u>414,940</u>
Total expenditures	<u>833,603</u>	<u>414,940</u>	<u>1,248,543</u>
Excess (deficiency) of revenues over expenditures	(3,208)	(351,305)	(354,513)
Other financing sources (uses):			
Operating transfers in	3,208	351,305	354,513
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>3,208</u>	<u>351,305</u>	<u>354,513</u>
Net change in fund balances	-	-	-
Fund balances, July 1	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

DOWAGIAC UNION SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

FOOD SERVICE FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 YEAR ENDED June 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:			
Local sources	\$ 263,705	\$ 260,908	\$ (2,797)
State sources	34,851	34,851	-
Federal sources	<u>534,441</u>	<u>534,636</u>	<u>195</u>
Total revenues	832,997	830,395	(2,602)
Expenditures:			
Salaries	38,500	38,500	-
Employee benefits	9,236	9,236	-
Purchased services	735,914	736,449	535
Supplies, material and other	49,347	49,418	71
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>832,997</u>	<u>833,603</u>	<u>606</u>
Excess (deficiency) of revenues over expenditures	-	(3,208)	(3,208)
Other financing sources (uses):			
Operating transfers in	-	3,208	3,208
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>3,208</u>	<u>3,208</u>
Net change in fund balances	-	-	-
Fund balance - July 1	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - June 30	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

DOWAGIAC UNION SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

ATHLETIC FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 YEAR ENDED June 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:			
Local sources	\$ 63,635	\$ 63,635	\$ -
 Expenditures:			
Salaries	180,079	173,576	(6,503)
Employee benefits	43,518	41,273	(2,245)
Purchased services	119,693	117,988	(1,705)
Supplies, material and other	86,772	73,458	(13,314)
Capital outlay	<u>5,445</u>	<u>8,645</u>	<u>3,200</u>
Total expenditures	<u>435,507</u>	<u>414,940</u>	<u>(20,567)</u>
Excess (deficiency) of revenues over expenditures	(371,872)	(351,305)	20,567
 Other financing sources:			
Operating transfers in	<u>371,872</u>	<u>351,305</u>	<u>(20,567)</u>
 Net change in fund balances	-	-	-
 Fund balance - July 1	<u>-</u>	<u>-</u>	<u>-</u>
 Fund balance - June 30	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

DOWAGIAC UNION SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

COMBINING STATEMENT OF CHANGES IN
ASSETS AND LIABILITIES - ALL AGENCY TYPES
June 30, 2006

	BALANCE <u>06/30/05</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	BALANCE <u>6/30/06</u>
<u>STUDENT ACTIVITY FUND</u>				
ASSETS				
Cash and cash equivalents	<u>\$ 170,099</u>	<u>\$ 374,200</u>	<u>\$ 344,036</u>	<u>\$200,263</u>
LIABILITIES				
Due to student groups and teacher groups:				
McKinley School	\$ 3,441	\$ 8,562	\$ 7,420	\$ 4,583
Kincheloe School	9,484	10,877	10,643	9,718
Justus Gage School	5,927	10,582	12,270	4,239
Sister Lakes School	5,485	10,544	10,412	5,617
Patrick Hamilton School	41,629	37,312	34,980	43,961
Dowagiac Middle School	15,094	64,068	45,425	33,737
Union High School	59,307	231,957	222,886	68,378
Bakeman Music Scholarship	<u>29,732</u>	<u>298</u>	<u>-</u>	<u>30,030</u>
Total Liabilities	<u>\$ 170,099</u>	<u>\$ 374,200</u>	<u>\$ 344,036</u>	<u>\$200,263</u>

DOWAGIAC UNION SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

STATEMENT OF BOND INDEBTEDNESS
YEAR ENDED JUNE 30, 2006

2002 SCHOOL BUILDING AND SITE BONDS - NON-REFUNDED
PORTION (General obligation - unlimited tax)

\$ 13,115,000

Balance payable as follows:

<u>Year</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2007	4.000	\$ 629,094	\$ 480,000	\$ 1,109,094
2008	4.250	609,894	490,000	1,099,894
2009	4.250	589,068	510,000	1,099,068
2010	4.000	567,394	535,000	1,102,394
2011	4.125	545,994	555,000	1,100,994
2012	5.000	523,100	580,000	1,103,100
2013	5.500	494,100	610,000	1,104,100
2014	5.500	460,550	645,000	1,105,550
2015	5.500	425,074	680,000	1,105,074
2016	5.500	387,676	285,000	672,676
2017	5.500	372,000	755,000	1,127,000
2018	5.500	330,474	795,000	1,125,474
2019	5.000	286,750	840,000	1,126,750
2020	5.000	244,750	885,000	1,129,750
2021	5.000	200,500	930,000	1,130,500
2022	5.000	154,000	975,000	1,129,000
2023	5.000	105,250	1,025,000	1,130,250
2024	5.000	<u>54,000</u>	<u>1,080,000</u>	<u>1,134,000</u>
Total		<u>\$ 6,979,668</u>	<u>\$ 12,655,000</u>	<u>\$ 19,634,668</u>

Interest on the bonds of the above issue is payable semi-annually on November 1 and May 1. Principal is payable annually on May 1.

DOWAGIAC UNION SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

STATEMENT OF BOND INDEBTEDNESS
YEAR ENDED JUNE 30, 2006

2005 REFUNDING BONDS (General obligation - unlimited tax) \$ 10,000,000

Balance payable as follows:

<u>Year</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2007	3.250	\$ 420,075	\$ -	\$ 420,075
2008	3.500	420,075	35,000	455,075
2009	3.500	418,850	35,000	453,850
2010	3.625	417,625	35,000	452,625
2011	4.000	416,356	35,000	451,356
2012	4.000	414,956	35,000	449,956
2013	4.000	413,556	35,000	448,556
2014	4.000	412,156	40,000	452,156
2015	4.000	410,556	40,000	450,556
2016	4.000	408,956	465,000	873,956
2017	4.000	390,356	-	390,356
2018	4.000	390,356	-	390,356
2019	4.000	390,356	-	390,356
2020	4.000	390,356	-	390,356
2021	4.000	390,356	-	390,356
2022	4.000	390,356	-	390,356
2023	4.000	390,356	-	390,356
2024	4.000	390,356	-	390,356
2025	4.250	390,356	1,140,000	1,530,356
2026	4.250	341,906	1,190,000	1,531,906
2027	4.250	291,332	1,240,000	1,531,332
2028	4.250	238,632	1,295,000	1,533,632
2029	4.250	183,594	1,350,000	1,533,594
2030	4.375	126,218	1,410,000	1,536,218
2031	4.375	64,532	1,475,000	1,539,532
Total		<u>\$ 8,912,579</u>	<u>\$ 9,855,000</u>	<u>\$ 18,767,579</u>

Interest on the bonds of the above issue is payable semi-annually on November 1 and May 1. Principal is payable annually on May 1.

DOWAGIAC UNION SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED June 30, 2006

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award Amount</u>
<u>U.S. Department of Education</u>			
Passed Through State Department of Education:			
Title I - Educationally Deprived	84.010	0615300506	\$ 751,170
		0515300506	76,914
		0515300405	659,456
		0415300405	167,787
Migrant Education	84.011	0518302005	189,783
		0618302006	196,399
		0518900405	134,784
		0618900506	158,899
Title IIA - Improving Teacher Quality	84.367	0505200405	159,728
		0505200506	10,749
		0605200506	167,466
Title V LEA Allocation	84.298	0502500405	13,844
		0402500405	10,153
		0502500506	4,414
		0602500506	11,574
Technology Literacy	84.318	0542900405	7,100
		0542900506	11,614
		0642900506	14,013
Title III English Language	84.365	0605800506	42,536
Handicapped Pre-school	84.027	060440SPSR	4,130
Drug Free Schools	84.186	0528600405	10,342
		0528600506	10,273
		0628600506	20,766

Total passed through MDE

(continued on next page)

Accrued/ (Deferred) Revenue <u>July 1, 2005</u>	(Memo only) Prior Year <u>Expenditures</u>	<u>Expenditures</u>	<u>Receipts</u>	Accrued/ (Deferred) Revenue <u>June 30, 2006</u>
\$ -	\$ -	\$ 512,609	\$ 289,352	\$ 223,257
-		76,914	76,914	-
280,305	547,714	111,742	392,047	-
<u>349</u>	<u>167,787</u>	<u>-</u>	<u>349</u>	<u>-</u>
280,654		701,265	758,662	223,257
64,627	64,627	125,156	189,783	-
-		42,547	-	42,547
10,137	134,784	-	10,137	-
<u>-</u>		<u>158,899</u>	<u>88,374</u>	<u>70,525</u>
74,764		326,602	288,294	113,072
76,828	137,286	22,442	99,270	-
-		10,749	10,749	-
<u>-</u>		<u>146,404</u>	<u>104,472</u>	<u>41,932</u>
76,828		179,595	214,491	41,932
1,427	8,997	4,847	6,274	-
145	10,153	-	145	-
-		4,414	2,902	1,512
<u>-</u>		<u>11,574</u>	<u>3,679</u>	<u>7,895</u>
1,572		20,835	13,000	9,407
918	7,100	-	918	-
-		11,614	8,000	3,614
<u>-</u>		<u>9,015</u>	<u>750</u>	<u>8,265</u>
918		20,629	9,668	11,879
-		24,260	23,780	480
-		4,130	-	4,130
2,863	10,342	-	2,863	-
-		10,273	5,620	4,653
<u>-</u>		<u>9,400</u>	<u>7,072</u>	<u>2,328</u>
<u>2,863</u>		<u>19,673</u>	<u>15,555</u>	<u>6,981</u>
437,599		1,296,989	1,323,450	411,138

DOWAGIAC UNION SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued
YEAR ENDED June 30, 2006

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award Amount</u>
<u>U.S. Department of Education</u> - continued			
Passed Through Intermediate School District:			
Voc. Ed. - Career Prep.	84.048		7,906
IDEA	84.027		1,695
Safe Schools/Healthy Students	84.184		184,069
Total passed through ISD			
TOTAL DEPARTMENT OF EDUCATION			
<u>U.S. Department of Health and Human Services</u>			
Passed through Intermediate School District			
Medicaid outreach	93.778		109,986
<u>U.S. Department of Homeland Security</u>			
Passed through Michigan State Police			
State Homeland Security Grant	97.004		9,794

(Continued on next page)

Accrued/ (Deferred) Revenue <u>July 1, 2005</u>	(Memo only) Prior Year <u>Expenditures</u>	<u>Expenditures</u>	<u>Receipts</u>	Accrued/ (Deferred) Revenue <u>June 30, 2006</u>
-		7,906	7,906	-
-		1,695	-	1,695
<u>32,734</u>	134,191	<u>49,878</u>	<u>77,703</u>	<u>4,909</u>
<u>32,734</u>		<u>59,479</u>	<u>85,609</u>	<u>6,604</u>
470,333		1,356,468	1,409,059	417,742

19,180	119,725	109,986	94,873	34,293
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-		9,794	9,794	-
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DOWAGIAC UNION SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued
YEAR ENDED June 30, 2006

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award Amount</u>
<u>U.S. Department of Agriculture</u>			
<u>Nutrition Cluster</u>			
Passed Through State Department of Education:			
Summer Food Service for Children	10.559	06-07 05-06	7,759 19,989
National School Lunch Breakfast	10.553	05-06 04-05	97,809 92,650
National School Lunch Program	10.555	05-06 04-05	302,128 312,692
National School Lunch Special Milk	10.556	05-06 04-05	493 989
Food Distribution			
Entitlement Commodities	10.550	05-06	36,590
Bonus Commodities		05-06	8,900

TOTAL DEPARTMENT OF AGRICULTURE

TOTAL FEDERAL FINANCIAL ASSISTANCE

Notes:

- 1.*Designates Major Program
2. Dollar threshold used to distinguish between Type A and Type B programs - \$300,000
3. Expenditures in this schedule are in agreement with amounts reported in the financial statements
4. The amounts reported on the R7120 reconcile with this schedule.

Accrued/ (Deferred) Revenue <u>July 1, 2005</u>	(Memo only) Prior Year <u>Expenditures</u>	<u>Expenditures</u>	<u>Receipts</u>	Accrued/ (Deferred) Revenue <u>June 30, 2006</u>
-		-	7,759	(7,759)
<u>(7,126)</u>		<u>19,989</u>	<u>12,863</u>	<u>-</u>
(7,126)		* 19,989	20,622	(7,759)
-		97,809	97,809	-
<u>-</u>	78,825	<u>13,825</u>	<u>13,825</u>	<u>-</u>
-		* 111,634	111,634	-
-		302,128	302,128	-
<u>-</u>	257,918	<u>54,774</u>	<u>54,774</u>	<u>-</u>
-		* 356,902	356,902	-
-		493	493	-
<u>-</u>	861	<u>128</u>	<u>128</u>	<u>-</u>
-		* 621	621	-
-		36,590	36,590	-
<u>-</u>		<u>8,900</u>	<u>8,900</u>	<u>-</u>
-		* 45,490	45,490	-
<u>(7,126)</u>		<u>534,636</u>	<u>535,269</u>	<u>(7,759)</u>
<u>\$ 482,387</u>		<u>\$ 2,010,884</u>	<u>\$2,048,995</u>	<u>\$ 444,276</u>



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REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education
Dowagiac Union Schools, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dowagiac Union Schools, as of and for the year ended June 30, 2006, which collectively comprise the Dowagiac Union Schools basic financial statements and have issued our report thereon dated September 27, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting - In planning and performing our audit, we considered Dowagiac Union Schools internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters - As part of obtaining reasonable assurance about whether Dowagiac Union Schools financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Donald L. Paulsen, CPA
Patrick J. Monahan, CPA
Bruce S. A. Gosling, CPA
Michael R. Wilson, CPA
Rick L. Strawser, CPA
Jerrold T. Norman (1941-1982)

September 27, 2006

Norman & Paulsen, P.C.



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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education
Dowagiac Union Schools, Michigan

Compliance - We have audited the compliance of Dowagiac Union Schools with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. Dowagiac Union Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Dowagiac Union Schools' management. Our responsibility is to express an opinion on Dowagiac Union Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local governments, and Non-Profit Organizations*. Those standards and OMB circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Dowagiac Union Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Dowagiac Union Schools' compliance with those requirements.

In our opinion, Dowagiac Union Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Donald L. Paulsen, CPA
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Internal Control over Compliance - The management of Dowagiac Union Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Dowagiac Union Schools internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Norman J. Paulson, P.C.

September 27, 2006

DOWAGIAC UNION SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED June 30, 2006

1. Summary of auditor's results:

- (I) An unqualified opinion was issued on the financial statements.
- (ii) No reportable conditions in internal control were disclosed by the audit of the financial statements.
- (iii) The audit disclosed no noncompliance.
- (iv) No reportable conditions in internal control over major programs were disclosed by the audit.
- (v) An unqualified opinion was issued on Compliance for major programs
- (vi) No audit findings were disclosed.
- (vii) Major programs: U.S. Department of Agriculture:
Nutrition Cluster
Commodities
- (viii) Dollar threshold used to distinguish between Type A and Type B programs: \$300,000
- (ix) Dowagiac Union School District qualified as a low-risk auditee.

2. Findings relating to the financial statements which are required to be reported in accordance with GAGAS.

NONE

3. Findings and questioned costs for Federal awards.

NONE